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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo, Serbia and Montenegro, from 1 April to 15 July 2004.

II. Overview

2. Much of the political effort in Kosovo over the reporting period has been aimed at regaining some of the ground lost as a result of the violent events of mid-March. The priorities have centred on the key areas of standards implementation, which remains the fundamental and overarching means of improving conditions in Kosovo, reconstruction of property damaged or destroyed during the violence in March, and reform of local self-government. UNMIK continues to evaluate its strategy, taking into account its analysis of the March events in order to prevent a recurrence of the violence. As part of the analysis of and response to the March violence, a crisis management review body set up by UNMIK and a team led by the Department of Peacekeeping Operations carried out assessments and provided recommendations which addressed the core areas of flow and dissemination of information critical to responding to a crisis, staff safety, action by law enforcement officials, and facilitation of coordination with the Provisional Institutions of Self-Government. UNMIK has taken steps to implement these recommendations and enhance crisis response procedures, communication networks and essential data and information protection. Plans are also being implemented to improve the security of UNMIK staff and assets. Coordination between UNMIK and the Kosovo Force (KFOR) has been addressed on a priority basis. UNMIK has engaged in efforts to reassure the communities that suffered the most as the result of the March violence, particularly the Kosovo Serb community. UNMIK has also further strengthened efforts with the Provisional Institutions to enable the Government of Kosovo to fulfil its responsibilities, particularly in the field of minority protection and support, and to build its capacity. In addition, there have been important initiatives by local

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leaders, as well as those encouraged by UNMIK and international actors, to foster inter-ethnic communication and dialogue.

Standards implementation

3. The launch of the Kosovo Standards Implementation Plan on 31 March provided the standards implementation process with renewed direction. During the reporting period, the Provisional Institutions moved forward with the process at both the central and municipal levels, albeit slowly and with difficulty. The challenge posed by turning the steps set out in the Plan into real change on the ground is considerable, and the lack of capacity and experience within the Provisional Institutions represents the main obstacle. The March violence was a huge setback for the process, in that basic rights such as freedom of movement and security were fundamentally undermined. While the commitment of political leaders from all parties indicates some hope that progress can be made, there remains a long way to go until standards, particularly in the areas of minority protection, returns and freedom of movement, are met.

4. The Kosovo Standards Implementation Plan required that the Provisional Institutions undertake six priority actions in response to the March violence, relating to freedom of movement and to sustainable returns and rights of communities. The implementation plans for these standards were to be reviewed and revisited in the light of the March events. Although the deadline of 30 April for the creation of revised plans was not met, the Prime Minister of Kosovo, Bajram Rexhepi, committed his office to working directly with UNMIK to ensure that the revisions would move forward. While progress has been made on four of the six priority actions, no action has been taken with respect to two of them, namely that the Provisional Institutions investigate and sanction central and municipal authorities and political branch leaders who contributed to the violence through public statements or actions or who failed to exercise their authority properly, and that the Provisional Institutions publicly condemn reports by print and broadcast media that contributed to ethnic violence in March and support the recommendations of the temporary Media Commissioner in relation to his investigation into those reports. The Prime Minister has stated that the Government will be unable to fulfil these actions. On 8 July, the Provisional Institutions and UNMIK convened a meeting of municipal presidents and municipal chief executive officers to discuss standards implementation, and UNMIK has subsequently noted a considerable increase in implementation at the municipal level.

5. Despite these shortcomings in implementing specific actions required in the wake of the March violence, the Office of the Prime Minister has taken concrete steps to move the overall standards implementation process forward. A matrix detailing all the work required by the ministries of the Provisional Institutions to fulfil the actions requested of them in the Kosovo Standards Implementation Plan, including detailed assignments and timelines for their completion, has been prepared. Officers in every ministry and municipality have been appointed to act as focal points on standards. Some local municipal assemblies and administrations have been active in working to meet the standards.

6. The joint UNMIK-Provisional Institutions working groups, which prepared the Plan, have been relaunched to monitor and discuss progress as well as difficulties in implementing the Plan. UNMIK has established assessment committees to report on

the implementation of the Plan and progress against standards. Together with the Provisional Institutions, UNMIK has organized an intensive public information campaign, describing and explaining what each of the eight standards means in practice. The campaign has involved and been supported by key political leaders.

Reconstruction and inter-communal political dialogue following the violence in March

7. The reconstruction programme of the Provisional Institutions, following the widespread violence and destruction in March, has moved forward significantly during the reporting period. According to the inter-ministerial Reconstruction Commission, as at 24 June, 263 properties had been reconstructed or repaired, reconstruction was ongoing on 161 properties, contracts were about to be awarded for 70 more properties, and technical documentation was being prepared to issue tenders for 180 other properties. In mid-June, tenders were also issued for two schools destroyed in March. While these numbers are significant, figures for the total number of homes, apartments and public buildings damaged or destroyed in March have risen to 935 (from 713) owing to incomplete initial reporting. Much work therefore remains outstanding, particularly on the more seriously damaged structures. A number of municipalities have undertaken the repair of less serious damage, and non-governmental organizations have assisted with minor shelter repairs essential for displaced persons to return to their homes in some locations. In addition, reconstruction has begun on some of the properties that were totally destroyed in Kosovo Polje (Pristina), Vucitrn and Svinjare (Mitrovica region), Pristina, Urosevac (Gnjilane region), Prizren, Pec and Klina (Pec region).

8. While the Provisional Institutions have not yet developed a systematic programme to reach out to minority communities following the events in March, there have been a number of visits by Kosovo Albanian leaders to those communities, as well as to returns and reconstruction sites. The Prime Minister has been the most active in this field and has visited numerous community areas as part of his "internal dialogue with communities" initiative. Efforts have also been made by some municipal authorities to improve community relations.

9. Kosovo Serb involvement in the political process in Kosovo remains a cause for concern, particularly in the context of the upcoming elections in October. Kosovo Serbs have remained outside the Kosovo Assembly since March and still do not participate in the work of the Provisional Institutions at the political level both centrally and locally, although Kosovo Serb civil servants report to work. Nonetheless, there are some signs of renewed interest in participation by Kosovo's Serbs in the political life of Kosovo. Political relations at the central level among community leaders have improved somewhat. A meeting held in Pristina on 23 June between Kosovo Albanian and Serb leaders was well attended and produced positive statements on the need for renewed inter-ethnic dialogue. During the reporting period Kosovo Albanian and Kosovo Serb leaders also met outside of Kosovo on a number of occasions.

10. The enhanced international scrutiny of political processes aimed at facilitating inter-community relations following the March violence has helped to foster dialogue between Kosovo Albanians and Kosovo Serbs. The newly constituted "Contact Group Plus", which includes representatives of the Contact Group countries, of the European Union and of NATO, has contributed to efforts in support

of the work of political and community leaders on the implementation of standards. A "troika" composed of the European Union, the United States of America and NATO has focused its engagement in support of standards, and has discussed security issues in the wake of the March violence, with a view to building confidence among the actors in both Pristina and Belgrade. In a significant development, the President of Kosovo, Ibrahim Rugova, Prime Minister Bajram Rexhepi and Kosovo Albanian and Kosovo Serb leaders signed a joint declaration in Pristina on 14 July at a meeting facilitated by the United States and the European Union. In the declaration, the leaders stated that the reconstruction of all houses damaged during the violence would be completed before the onset of winter, expressed a collective obligation and commitment to do their utmost to ensure that returns of internally displaced could occur, and called for the establishment of a ministry for community matters, human rights and returns. The leaders of the two communities also committed themselves to continuing to cooperate on efforts to reform local government in Kosovo and cooperate on security-related issues. A Kosovo Security Advisory Group, consisting of KFOR, UNMIK and Kosovo Albanian and Kosovo Serb representatives of the Provisional Institutions, has been established. The Advisory Group aims to enhance the flow of security information and prevent a recurrence of violence. A first meeting of the Advisory Group was held on 14 July with the participation of a designated official of the Kosovo Serb Coalition Return.

11. This strengthened focus on minority interests needs to be balanced by continued attention to progress in other areas which are of importance to the majority community. In recent political party congresses held prior to Kosovo's second general elections, local leaders have underlined their perceived limited competences and ability to influence policy in significant sectors such as the economy and employment. They have argued that this limits their ability to explain to their constituents the lack of progress in these areas, as well as on symbolically important issues such as independence and the transfer of power. UNMIK, as the final authority, has become the focus of political efforts in Kosovo since it is seen as a hindrance to the fulfilment of the ambitions of the Kosovo Albanian majority. Moreover, while some of the Mission's current interlocutors within the Provisional Institutions have acknowledged that multi-ethnicity is the only possible future for Kosovo and that the majority community in particular has a responsibility for the well-being of minorities, radical forces remain and may be positioning themselves for political resurgence.

Reform of local government

12. A concrete, sustainable reform of local government is likely to be the most important political process that will affect the Kosovo Serb community in the future, as Kosovo Serbs see the reform of local government as a way of guaranteeing the security and protection of the vital interests of their community. During the reporting period, a joint Provisional Institutions-UNMIK working group on local government was established and held a series of meetings involving experts and stakeholders, with a view to proposing a framework concept paper setting out agreed principles on the devolution of power, addressing the need for new municipalities and municipal sub-units and timelines for implementation, and outlining legislation necessary to implement agreed changes prior to the next municipal elections in mid-2006. The working group also discussed the possibility

of launching pilot projects in selected municipalities. Although initially Kosovo Serbs did not formally attend the meetings, UNMIK kept the Kosovo Serb leadership informed and consulted on developments. As the process went forward, Kosovo Serbs gradually became more engaged in the working group's activities and on 29 June a Coalition Return representative joined the working group in an observer capacity.

III. Functioning democratic institutions

13. During the reporting period, the Government of Kosovo focused its efforts on the reconstruction of property destroyed or damaged in March, on the standards implementation process, and on drafting the framework document for local government reform. The Government also intensified its regional cooperation through bilateral and regional visits conducted by the Prime Minister and other ministers. UNMIK has taken steps to establish a number of new liaison offices in the Office of the Prime Minister in the areas of coordination of international cooperation and regional dialogue, strategic policy and planning, energy and natural resources, European integration processes, war veterans' issues and public safety.

14. The performance of the Kosovo Assembly has been mixed. In an attempt to act outside its competences as set out under Security Council resolution 1244 (1999) and the Constitutional Framework, on 8 July the Assembly voted to propose a comprehensive set of 38 amendments to the Constitutional Framework drawn up by the Assembly Committee for Judicial, Legislative and Constitutional Framework Matters. The Assembly took this action despite clear warnings by UNMIK that such changes were outside its powers. UNMIK immediately issued a public statement reiterating that, while a comprehensive review is beyond the competence of the Assembly, UNMIK is open to discussing proposals that are not within the areas reserved to the Special Representative and are submitted in accordance with the Constitutional Framework.

15. The Assembly's functioning during the reporting period was also inconsistent. It has continued to hold plenary sessions on a monthly rather than a weekly basis, which has led to longer sessions and has meant that most postponed agenda items are delayed for a month or longer rather than one week as was the case in the past. Faced with a packed agenda, the Assembly at times rushed through debates and voting, at the risk of affecting negatively the overall quality of legislation adopted.

16. The Assembly has, however, demonstrated greater openness and fewer irregularities than in the past. Over the reporting period, the Assembly adopted 16 laws, including legislation on gender equality, international financial agreements, income tax and profit tax, and consumer protection. Four laws adopted during this period were drafted primarily by the Assembly. The Assembly worked in an increasingly transparent manner, committee meetings being open to the public.

17. A proposed law on the status of Kosovo Liberation Army war martyrs, invalids, members and veterans and their family members has represented an ongoing issue of contention including among some members of the mainstream Kosovo Albanian political parties. A draft law on the subject foresaw the provision of numerous benefits and exemptions for war invalids of Kosovo and for the next of kin of those who died. Although the law was approved in principle, divisions surfaced between different parliamentary groups over the use of the term Kosovo

Liberation Army, which was subsequently removed from the law. However, disagreements over this legislation, whose budgetary and political impact could be significant, persisted.

18. Although the situation with regard to minority employment at the central levels of administration has not worsened markedly over the reporting period, there are indications that overall minority employment has decreased since 2003. In over half of the Provisional Institutions more than 25 per cent of minority vacancies have not been filled. Moreover, the fact that minority staff are almost entirely employed in the municipal community offices or in institutions catering specifically to minority populations suggests that mainstreaming of the communities in the civil service remains a distant goal. Most institutions have not taken the initiatives required by both the Kosovo Standards Implementation Plan and existing regulations to bring the minorities into decision-making levels for all communities. In part, the problem is attributable to the fact that the qualified community representatives are either not available or are not willing to be considered for these posts. Moreover, women are underrepresented overall in the Provisional Institutions.

19. The allocation and utilization of financial resources from the Kosovo consolidated budget for provision of services and programmes addressed to the minority communities continued to be problematic and required frequent intervention by UNMIK. None of the ministries prepared sub-component plans earmarking resources for programmes or services directed towards the minority communities during the year, as required in the Kosovo Standards Implementation Plan. In the municipalities the situation improved somewhat, although spending in this regard continued to be slow.

20. There continues to be a need to consolidate the professional policy-making capacity and executive bodies of the Provisional Institutions. The Office of the Prime Minister took some steps in this direction, for example by organizing a stakeholders' workshop in April 2004 to develop a public administration strategy, but such efforts are few and have yet to yield concrete results. The absence of rules of procedure for the working of the Government and of the central ministries has affected their overall effectiveness and coordination. While the emphasis by the Provisional Institutions has been on framing laws and rules governing various activities, the implementation and enforcement of the existing rules and norms continue to pose challenges. There is little resolve so far within the Provisional Institutions to insulate civil servants from political interference. The enhancement of the professional competence of the civil service will continue to require special attention. The Prime Minister has called for audits of his office and ministries with large contracting responsibilities, which will be carried out by independent contractors acting through the office of the Auditor General.

21. Operational responsibility for running the Assembly elections in 2004 will for the first time be entrusted to the people of Kosovo. A multi-ethnic Central Election Commission was created to conduct the elections. The Commission secretariat began the process of certifying political entities in accordance with the statutory provisions, which include norms for internal democracy of the parties and the requirement to file financial returns. The main political parties have on the whole demonstrated a respect for these provisions, although, at the congress of the Democratic League of Kosovo, President Rugova was reconfirmed as leader of the party by acclamation rather than by a formal vote, despite this being in

contravention of the Constitutional Framework. Coalition Return has not yet applied to the Commission secretariat for certification. An operation by mail was launched to ensure that the Assembly elections are inclusive of all communities, in particular of the internally displaced. However, as the Serbian Government authorities have refused so far to negotiate and agree on a necessary memorandum of understanding with UNMIK, the by-mail operation for the internally displaced in Serbia proper remained on hold. Further delay could result in disenfranchising more than 100,000 eligible displaced voters.

22. Little progress was achieved in the implementation of standards in the media during the reporting period. In general, the media, with a few exceptions, have not begun to approach the standards of tolerance, civility and fairness set out in the Kosovo Standards Implementation Plan. While the main broadcasters generally conform to basic requirements of civility in the broadcast code of conduct, there is relatively little evidence of tolerance or fairness with regard to minority communities. Most of the relevant actions required in the Plan faced delays in implementation after the March violence. Important activities were stalled while assessments were conducted to analyse the malfunctions in media performance and to tailor further assistance accordingly. The temporary Media Commissioner issued a report criticizing media performance and will impose fines against the public broadcaster Radio Television Kosovo (RTK) and two private television stations. The media — in particular RTK — have not yet acknowledged that they displayed a serious lack of professionalism that fanned rather than contained the violence. RTK has responded with claims that freedom of the press is being infringed.

23. A Law on Gender Equality in Kosovo was promulgated by my Special Representative on 7 June. It foresees the establishment of an Office for Gender Equality, which is mandated to coordinate activities with the Advisory Office on Good Governance, Human Rights, Equal Opportunities and Gender Issues of the Prime Minister's Office, and the creation of a dedicated capacity to address issues of gender-based discrimination within the Office of the Ombudsperson. The inclusion of the position of Municipal Gender Officer within the Kosovo consolidated budget represents a positive step in the creation of mechanisms to promote gender mainstreaming in local governance. However, municipal gender officers have not been able to introduce gender concerns in the municipal agendas and have had limited interaction with decision makers and civil society. Their performance has been reduced to activities at the margins of core policies and programmes. Despite the formal request made by the Prime Minister's Office to the permanent secretaries, gender affairs officers were appointed only in 4 ministries out of 10. A meeting on the fight against human trafficking in June represented a major step towards the adoption of an agreed UNMIK-Provisional Institutions strategy in this area. A draft action plan is being finalized to improve coordination among all actors, leading to more comprehensive prevention measures, more effective investigation and prosecution, and stronger protections for victims of trafficking. Domestic violence remains one of the major obstacles for the exercise of women's human rights and the enhancement of local development.

IV. Rule of law

24. Considerable progress has been made to bring to justice those responsible for the violence in March. UNMIK has received 73 of the additional 100 international

police investigators requested from Member States, and others are expected shortly. At present, international prosecutors are handling 52 cases involving serious crimes. These include judicial investigations into the 20 deaths connected with the violence in March. Several cases against organizers of the violence have been opened, including cases of inter-ethnic violence. Investigations into arson as well as violence committed against police and KFOR are under way. Of these investigations, 17 cases are in the judicial investigation stage, which involve 34 defendants, 18 of whom are in detention. In addition, five indictments have been issued.

25. The local judiciary is handling more than 260 cases related to the violence, including theft, arson, attacks on officials, and minor offences. In addition, 80 individuals have already been convicted in minor offences and municipal courts, receiving sentences ranging from court reprimands and fines of up to €200 to convictions for a period of two to six months' imprisonment. Appeals will be brought wherever it is suspected that bias has adversely affected the outcome. An initial review of the case files reveal that they are being appropriately dealt with, despite local pressure on judges and local prosecutors. Local leaders and civil society representatives in Kosovo have by and large failed to support UNMIK actions in support of the rule of law. While some municipalities issued public statements of condemnation against the March violence, others have taken no action to help identify the perpetrators, saying that they have no responsibility for security.

26. Approximately 100 Kosovo Police Service (KPS) officers have been identified as the subject of allegations of misconduct during the March violence, The facts and circumstances of these allegations are being closely examined. However, the overall professional conduct of the Kosovo Police Service during the violence was a significant indicator of the professional growth of the Service. Kosovo Serb KPS officers have returned to work, and mixed Kosovo Albanian/Kosovo Serb patrols have resumed. The prompt arrest by Kosovo Albanian KPS officers of two Kosovo Albanians within hours of the murder of a 17-year-old Kosovo Serb on 5 June in Gracanica (Pristina region) was a further encouraging sign.

27. However, the Mission's efforts to create a multi-ethnic justice system which is accessible to all communities suffered a severe setback as a result of the March riots. The three UNMIK court liaison offices in the Pristina, Gnjilane and Pec regions are working at a very limited capacity as a result of staff security issues and most municipal courts in Kosovo remained inaccessible to minority communities. Two newly-appointed Kosovo Serb prosecutors declined to take up their appointment in June 2004, and one Kosovo Serb prosecutor and two Kosovo Serb judges have left Kosovo since the violence. Overall, there are 16 Kosovo Serb judges and 3 Kosovo Serb prosecutors out of a total of 310 Kosovo judges and 85 Kosovo prosecutors. Significantly, parallel court structures, which had all but ceased to function before March, have resumed their work in Leposavic (Mitrovica region), Mitrovica and Lipljan (Pristina region).

28. The development of the Kosovo Police Service was re-evaluated following the violence in March, focusing on the schedule for transition of station command from UNMIK police to KPS, an increase in the final target number of KPS special police units from three to five, the procurement of basic anti-riot equipment for all police stations; and the provision of anti-riot training for all KPS members. UNMIK police has revised the details of its transition plan to KPS-managed police stations to ensure that stations that performed well will transition to KPS control earlier than

those where significant problems were experienced. Nonetheless, the plan still envisages the transition of all stations and regional headquarters to KPS control by the first quarter of 2006, without affecting the overall executive authority of my Special Representative.

29. The implementation of an anti-corruption strategy for Kosovo launched in March 2004 throughout the Provisional Institutions remained weak. The strategy outlines a comprehensive approach to address the problem within the Provisional Institutions and includes public awareness-raising measures, the strengthening and reform of legislation, and the establishment of an independent public anti-corruption unit. The Government of Kosovo established an anti-corruption inter-ministerial group to carry this process forward. Although some ministries have set up internal financial and administrative controls and audit mechanisms, abuse of internal controls and procurement mechanisms continues to be widespread in some ministries.

30. Regional cooperation in police and justice matters continued to improve. In an operation closely coordinated with UNMIK police, the Albanian police in Tirana arrested a key suspect in both the Nis express bus bombing in February 2001, in which 11 Kosovo Serbs were killed and some 40 injured, and the murder in March 2004 of two police officers in Podujevo (Pristina region), for which another nine suspects are under judicial investigation.

V. Freedom of movement

31. Despite some recent improvements, freedom of movement for members of non-majority communities has substantially deteriorated in comparison to the situation prior to the violence in March. Many members of ethnic communities, particularly Kosovo Serbs, remain unwilling to travel without KFOR or police escort. This further isolation of communities has also had a negative impact on the ability of community members to access basic services, including education and healthcare. Following extensive engagement by UNMIK, KFOR and the Provisional Institutions, the civil service bus line, the UNMIK "freedom of movement" train, and humanitarian bus service networks are gradually returning to normal service, after periods of suspended operations for security and operational reasons.

VI. Sustainable returns and the rights of communities

32. The absence of effective central level structures to address the concerns of the communities has continued to hinder efforts by the Provisional Institutions to move forward on these issues. UNMIK has been working in cooperation with the Office of the Prime Minister to support the strengthening of its Advisory Office on Communities and to enhance the coordination of communities-related efforts more closely with efforts in the field of returns through the Office of the Inter-Ministerial Coordinator for Returns.

33. The impact of the March violence on the returns process was profound. The already limited trust between communities was gravely shaken, and security concerns within ethnic communities multiplied. At a practical level, the violence delayed organized returns efforts by at least three months: work scheduled to begin

in March began to move forward only in June. This has effectively cut short the returns season and significantly limited the possibility of "follow-on" returns. The March violence had particularly devastating consequences in urban areas, which were a central focus for returns efforts this year.

34. While nearly 2,400 people remain displaced as a result of the March violence, some of those initially displaced have returned to their homes or to nearby locations until reconstruction of their homes is completed. These include 35 families who returned to Vitina (Gnjilane), 7 families to Belo Polje (Pec), 14 families to their apartments and 24 families to containers next to a destroyed apartment building in Obilic (Pristina). None of the Kosovo Serbs displaced from Prizren town, the site of some of the most brutal destruction of Kosovo Serb houses and religious sites, have returned to their homes and the majority continue to be temporarily accommodated in a KFOR camp. Some of the reconstructed apartments in a building which formerly housed Kosovo Serbs in central Pristina remain empty owing to the continuing security-related fears of those displaced. Efforts to support the return of displaced Kosovo Serbs from Svinjare (Mitrovica) are in progress and 50 accommodation containers have been placed in the village until reconstruction is completed.

35. With assistance from UNMIK, the European Agency for Reconstruction and UNDP, the Provisional Institutions have partially addressed the structural inadequacies that had hampered the reconstruction effort and affected the functioning of the Government Reconstruction Commission. On 18 June, the Commission released a housing reconstruction manual that outlines the Provisional Institutions policy on the reconstruction programme and provides much-needed guidance on crucial issues, such as the inclusion of beneficiaries in the process. It will require considerable effort to ensure that the provisions of the manual are fully implemented by the municipalities.

36. Efforts to increase minority participation in the reconstruction programme have begun to show results, but there are still some shortcomings. Displaced property owners are now being consulted and asked to sign agreements providing for the reconstruction of their destroyed homes; more than 300 such agreements have been signed. However, the process remains inadequate in providing further information to the homeowners as the work proceeds, and in responding to minority community concerns regarding reconstruction efforts. In June, the Provisional Institutions also addressed a significant concern of displaced families, by committing themselves to allocating €2,000 for each family whose home was destroyed to cover the costs of replacing furniture and household items. The Reconstruction Commission is now undertaking an assessment regarding secondary buildings (such as sheds, workshops and barns), and will consider whether those structures will be included in the ongoing reconstruction effort at this stage. UNMIK, as well as the Contact Group and the European Union, have repeatedly stressed that secondary buildings should be included in this phase of the programme, as these structures are often essential for the livelihood of homeowners.

37. The Provisional Institutions initially allocated €5 million to the reconstruction effort in March, of which €2 million is returns funding that will need to be replenished. Those funds have now been fully committed to reconstruction projects. In July, the Provisional Institutions allocated an additional €9.7 million for reconstruction, an amount which includes the €3.7 million that the Council of

Europe assessment found would be needed this year for work relating to cultural and religious sites. In addition, €1.5 million has been allocated from my Special Representative's contingency fund within the Kosovo consolidated budget to provide "start-up" assistance for returning families and to contribute to the cultural and religious sites effort. These additional commitments should be sufficient for the reconstruction programme to continue effectively for the coming months, although further funding will probably be necessary following the mid-year review within the Kosovo budget. Both UNESCO and the Council of Europe conducted assessments of the damage done to cultural and religious sites during the March violence. The Council of Europe report provides a current damage estimate of €10,078,000, while noting that the full damages have not been assessed at some sites. In particular, the Council of Europe report found that €3,688,900 is needed for immediate intervention to protect damaged sites and to undertake priority efforts on two monasteries in Prizren and Srbica (Mitrovica region).

38. The overall compliance rate of fair-share financing for communities in municipalities has improved as a result of a joint decision of UNMIK and the Ministry of Finance and Economy to hold back 2003 funds in cases of non-compliance. Ten out of 11 municipalities that incurred shortfalls in their fair-share financing in 2003 formally committed funds to address those deficits. Following the violence in March, delays in releasing funds to communities in a number of municipalities have, however, become more prevalent. To address this issue, UNMIK is working with the Ministry of Finance and Economy to ensure that heads of municipal community offices have signature authority as required under the law.

39. The March events seriously affected the attendance of Kosovo Serbs at municipal assemblies and mandatory municipal committee sessions in most municipalities during the reporting period, although, by the end of the reporting period, Kosovo Serbs were participating in some municipal assemblies. The functioning of mandatory municipal committees decreased over the reporting period, only 8 out of 27 municipalities holding regular sessions in contrast with 11 during the previous period, while in 7 municipalities Kosovo Serbs continued to boycott the work of committees. Violations of procedures by some municipal authorities continued to occur. As a result of the March violence, mediation committees were active in only three municipalities during the reporting period as opposed to five municipalities in the previous quarter. Community committees that were active during the reporting period continued to face obstruction from municipal authorities who failed to implement their recommendations. Most municipal community offices resumed their activities from their pre-March locations with the notable exceptions of those in Kosovo Polje and Obilic (Pristina region), which still operate from secondary locations where there is a Kosovo Serb majority.

40. The destruction in March of health facilities which had been serving minority community patients in Kosovo Polje (Pristina region) has required minorities to travel greater distances to gain access to primary health care, which has proved particularly problematic given the limited freedom of movement and security risks faced by community members. Tertiary care for Kosovo Serbs is largely limited to northern Mitrovica. Kosovo Serbs also face additional obstacles to their access to education, owing in large part to their more restricted freedom of movement. Kosovo Serb students either attend universities in Serbia proper or at the University of Mitrovica. There are only three "mixed" Kosovo Serb/Albanian schools in

Kosovo and these are mixed only insofar as the students are co-located; classes are taught separately in the language of each student group. The Albanian language is not taught to Serb-speaking children nor is Serbian taught to Albanian-speaking pupils.

41. The overall situation with regard to minority employment at the municipal level and to the use of official languages for street signs within Kosovo municipalities remains unsatisfactory. Generally, minorities are currently represented in lower percentages when compared to previous reporting periods. On the basis of data collected at the end of June, 86.6 per cent (previously 84.7 per cent) of all municipal employees, including municipal administration, health and education, are Kosovo Albanian, while 10.4 per cent (previously 12 per cent) are Kosovo Serb and 3 per cent (previously 3.3 per cent) are non-Serb minorities. Little progress has been made during the reporting period regarding the language of public signs on buildings and streets; in ethnically mixed areas, street signs often appear only in the majority language.

VII. Economy

42. The Kosovo economy continues to be far from self-sustaining. Growth is still mainly driven by foreign assistance, remittances from abroad and public spending. The trade deficit remains substantial. The number of unemployed seeking work continues to rise and the demographic trend gives rise to major concerns as an increasing number of young, employable people are entering the labour market.

43. To counter this negative trend, the Provisional Institutions, with assistance from UNMIK, have made progress in establishing a legal framework for a sustainable, competitive market economy. However, much needs to be done to move Kosovo closer to European standards. There has been notable progress in drafting and passing basic legislation in the international financial institution, energy and income tax sectors but the Provisional Institutions still lack assessment and implementation capacity in these fields.

44. While the privatization of Kosovo's socially-owned enterprises continued to be one of the more politically contentious issues, the announcement that the bidding for the privatization of a third group of socially-owned enterprises would proceed following agreed changes to the operating policies of the Kosovo Trust Agency represented a significant step forward in this important process. The restarting of the privatization process provided concrete evidence to the business community and the population at large that Kosovo is moving forward in terms of economic development. Other technical economic issues continued to be politicized by the Provisional Institutions, however. For instance, the proposed introduction of a SWIFT banking code in Kosovo, which would ensure that money transfers between the Banking and Payments Authority of Kosovo and external commercial banks are conducted transparently and safely, was denounced by the Provisional Institutions because the assigned code was that of Serbia and Montenegro.

45. Governance structures in the Provisional Institutions and non-governmental sector dealing with the economy improved their method of work but overall performance remained less than satisfactory. Assistance to ministries such as the Ministry of Trade and Industry and the Ministry of Finance and Economy from various international donor agencies has resulted in improved technical

performance. However, these ministries still lack capacities in important sectors and the salary levels of civil servants remained worryingly low, which makes it more difficult for the Provisional Institutions to attract qualified staff.

46. The budget process also continued to function in an unsatisfactory manner. Medium-term expenditure framework, public investment plan, and sector-spending plans do not exist, and there is ongoing disagreement between the Provisional Institutions and UNMIK regarding allocation of the budget surplus. While the Provisional Institutions advocate spending for recurrent expenditures, such as increasing civil service salaries, pension payments and transfers to municipalities, UNMIK maintains that spending is required on investment needs. With elections approaching in October, the current budget priorities of the Provisional Institutions are frequently informed by political rather than economic considerations.

47. Civil society organizations are involved in economic policy development through business organizations, the Chamber of Commerce and research institutes. However, they lack the capacity to develop sound, relevant policy advice to the Provisional Institutions and tend to politicize debates on current economic issues. Kosovo still lacks a dynamic, autonomous non-governmental economic sector that is able and willing to provide independent, relevant feedback and advice on economic issues.

VIII. Property rights

48. Protection of property rights is fundamental both to facilitate returns and for Kosovo's economic development. However, progress in relation to property standards set out in the Kosovo Standards Implementation Plan has been insufficient. Only one action in the property standard which required completion in the reporting period — calling for the convening of a stakeholders group on informal settlements — was accomplished and no new activities were commenced. Most significantly, the formation of an expert group on property was not carried out, despite the fact that a fundamental obstacle to effective protection of property rights is the lack of a strategic, coordinated approach based on the rule of law.

49. In general, the protection of property rights through the courts and administrative bodies remained problematic, owing to issues such as access to the bodies, case backlogs, and inconsistent or weak enforcement of the legal framework. Illegal occupation and use of property, as well as criminal damage to property, remains widespread and is not publicly condemned; sanctions are not consistently or effectively applied. In relation to residential property, the courts and the Housing and Property Directorate remained handicapped as effective remedies, in part because the Directorate has not yet received the needed €2.3 million in donor support to sustain operations to the end of 2005. To date, the Housing and Property Claims Commission and the Housing and Property Directorate have successfully adjudicated 55 per cent of the claims they have received. The Housing and Property Directorate continued to administer properties not yet occupied by owners.

50. Ongoing work on an inventory of Serb Orthodox monuments by the Ministry of Culture, Youth and Sports continued to be hampered by a lack of access by Kosovo Albanian staff to the sites. The inventory for other heritage sites neared completion. The lack of appropriate numbers of Kosovo Serb staff in the Department of Culture and the Institutes for Protection of Monuments has

contributed to the delay. Although two Kosovo Serbs joined the Cultural Heritage division of the Ministry during the reporting period, there are still no Kosovo Serb staff in the Institutes for Protection of Monuments and other cultural institutions. A draft law on cultural heritage remained at the consultative stage and Kosovo Serb experts nominated by Coalition Return who were participating in drafting the law withdrew after the March violence.

IX. Dialogue

51. The violence in mid-March and its aftermath have stymied a resumption of the dialogue working groups, which had got off to a constructive start early in March. The Prime Minister of Kosovo has, since May, favoured the resumption of direct dialogue between Pristina and Belgrade. Authorities in Belgrade however indicated to UNMIK that there could be no discussion of a resumption of the direct dialogue until after the Serbian presidential elections, the second round of which was held on 27 June. Since then, Belgrade has not responded to enquiries by UNMIK concerning its readiness to resume meetings of the dialogue working groups.

52. Regional dialogue and cooperation in selected areas have proceeded over the reporting period through ministerial contacts between the Provisional Institutions and authorities in the former Yugoslav Republic of Macedonia and Albania. A meeting of the Stability Pact held in Slovenia included a joint delegation of UNMIK and the Provisional Institutions, which provided a joint progress report on the involvement of Kosovo in activities of the Stability Pact. Slovakia began recognizing the UNMIK travel document and Bulgaria has also decided to recognize the document.

X. Kosovo Protection Corps

53. Although the Kosovo Protection Corps (KPC) has moved forward in meeting the objectives set out in the Kosovo Standards Implementation Plan, concern remains that it is fundamentally hindered in fulfilling its mandated task of providing civil emergency protection. The vast majority of KPC members remain insufficiently trained in civil emergency protection skills and lack equipment and sufficient infrastructure. Many segments of KPC suffer from poor command and control structures. The Office of the KPC Coordinator has been hindered in meeting operational demands by both a lack of staff and the significant reduction by KFOR of its involvement with KPC.

54. The Kosovo Protection Corps has made gains in minority recruitment. Minorities currently make up 5 per cent of KPC, or 149 members, 38 of whom are Serbs. KPC has drafted a minority recruitment plan to assist in reaching the target of 10 per cent minority members. It is also continuing the process of streamlining its presence on the ground, according to an infrastructure rationalization plan, by vacating certain facilities. Efforts to ensure that funding is independently audited have also progressed and KPC has come forward with a system to report and account for donations. In the wake of the March riots, KPC cleared damaged houses in Serb communities to prepare for their reconstruction, and is rebuilding a water main in a minority return area. It continues to undertake mine clearance through accredited deminers, is involved in humanitarian activities, and is developing

emergency operational plans for all protection zones in Kosovo and independent central units.

55. The Kosovo Protection Corps has demonstrated a substantial commitment to the current disciplinary system, cooperating and regularly coordinating with UNMIK and the KFOR Inspectorate. Since April 2004, a substantial backlog of disciplinary cases has been cleared and, generally, the disciplinary system has been processing cases in a fair and efficient manner. Minor revisions to the KPC disciplinary review procedure have also been adopted. Four KPC members arrested in February on charges of war crimes against Kosovo Albanians remain in detention. Another two individuals, one of whom is a KPC member, were arrested in connection with that case on 24 May and a judicial investigation is ongoing. Twelve KPC members suspended late in 2003 in connection with the bombing of a railroad in Zvecan (Mitrovica region) in April 2003 have returned to work after an UNMIK police investigation found no evidence of criminal activity.

XI. Observations

56. Following the widespread violence that occurred throughout Kosovo in March, the Provisional Institutions have made some progress in the priority areas of standards implementation, reconstruction of property damaged or destroyed during the violence, inter-ethnic reconciliation initiatives, and reform of local government. However, much still remains to be done to repair the physical and psychological damage that resulted from the violence. The political leaders of Kosovo and representatives of the Provisional Institutions, the representatives of civil society and the people of Kosovo must collectively demonstrate their genuine and concrete commitment to creating a society where all communities can coexist peacefully and in which the rights of members of all of Kosovo's communities are fully safeguarded and guaranteed. The signing of a joint declaration by Kosovo Albanian and Kosovo Serb leaders on 14 July in which they collectively commit themselves to completing the reconstruction of houses damaged in the violence in the near term and giving renewed impetus to the returns of the internally displaced is a significant development and an encouraging step in the right direction. This statement needs to be followed up with concrete and timely action.

57. The commitment of funds for the repair or reconstruction of houses, public infrastructure and cultural heritage sites that were damaged or destroyed during the March violence is welcome. However, while progress by the Provisional Institutions in this area has been noteworthy, nearly 2,400 people remain displaced. I urge those responsible to increase and accelerate these efforts in order to ensure that committed reconstruction funds are fully and fairly utilized in a timely manner. In particular, those responsible are urged to ensure that schools are fully reconstructed by 1 September and all damaged or destroyed homes are reconstructed as soon as possible and certainly before the onset of winter. Initiatives by Kosovo's political leaders to foster inter-ethnic reconciliation following the events in March are to be welcomed, but must be translated into a widespread and sustained outreach campaign. It is incumbent on the leaders of the majority Albanian community of Kosovo to reach out to the members of the non-majority communities who were deliberately targeted during the violence.

58. The continuing lack of freedom of movement, precarious security conditions and lack of access to public services for the minority groups of Kosovo have resulted in only minimal returns of those who fled during the violence in March and remain a cause for serious concern. Improved security conditions and freedom of movement are indispensable to ensure that sustainable returns take place. Kosovo's leaders are called on once again to demonstrate through concrete and public actions their genuine commitment to creating the conditions for sustainable return and the integration of all those who have been internally displaced.

59. There has been encouraging progress in investigating, arresting and prosecuting the organizers of the violence. As a means of building confidence among the Kosovo communities, the political and institutional leaders, as well as the population as a whole, must show unreserved support for the actions of judges, prosecutors, UNMIK police and the Kosovo Police Service aimed at bringing the perpetrators of all crimes — including, importantly, all ethnically-motivated crimes — to justice.

60. Following the events in March, I have requested that a comprehensive review of the policies and practices of all actors in Kosovo be conducted and that options and recommendations be provided as a basis for further thinking on the way forward. Ambassador Kai Eide of Norway, whom I asked to conduct the review, has completed his assessment and has submitted his recommendations for my consideration. Other assessments have also been undertaken, which are being taken into account.

61. The joint launch by UNMIK and the Provisional Institutions of a process of reform of local government is a positive and significant development. I encourage representatives of all of the communities of Kosovo to engage responsibly in this work. I also express appreciation for the constructive support offered to the process of local government reform by a variety of international organizations and individual Member States.

62. While a greater degree of openness and transparency shown by the Kosovo Assembly in its work is to be welcomed, the Assembly's adoption of a comprehensive package of proposed amendments to the Constitutional Framework was clearly outside its competences as set out in resolution 1244 (1999) and the Constitutional Framework and is unacceptable. As stated by UNMIK, specific proposals for amendments in areas that are not within the reserved powers of my Special Representative may be duly considered. However, this latest attempt to act beyond its competences and its failure to respect the authority and responsibilities reserved to my Special Representative reflect a worrying unwillingness to focus on immediate priorities and on the paramount objective of ensuring that Kosovo makes progress.

63. While I welcome indications of a genuine commitment among the leaders of Kosovo to take the measures required to move the standards process forward and I am encouraged by concrete steps taken by the leadership of the Provisional Institutions to make good on this commitment — including the creation of a work plan setting out specific tasks and timelines required of the Provisional Institutions to achieve the goals of the standards implementation process — I call upon the Provisional Institutions to implement all of the priority actions set out in the revised plan. The crucial challenge continues to be to ensure that progress against standards translates into tangible change in Kosovo that concretely benefits the population. In

this respect, much remains to be done, including in the area of building the capacity and effectiveness of the Provisional Institutions. In the wake of the violence, there is an even greater need for all Kosovo leaders from all communities to assume responsibility for and engage consistently and constructively in the standards implementation process.

64. In conclusion, I would like to thank my former Special Representative, Harri Holkeri, for the commendable dedication and leadership he demonstrated throughout his tenure, particularly during the violent events in March. I have appointed as my new Special Representative, Søren Jessen-Petersen, who brings to the job experience in the region and the United Nations and who I am confident will bring renewed commitment to working towards the objectives set out in Security Council resolution 1244 (1999). My appreciation also goes to my Acting Special Representative, Charles Brayshaw, for the steady leadership he has once again shown in guiding UNMIK during a transitional period, as well as to the men and women of UNMIK for their dedication and commitment to the values and objectives of the United Nations. Finally, I would like to extend my appreciation to KFOR, our partners within UNMIK — the European Union and the Organization for Security and Cooperation in Europe — and to other organizations, agencies, contributors and donors for their valued political and material support in implementing Security Council resolution 1244 (1999).

Annex I

Composition and strength of the UNMIK police as at 30 June 2004

Country	*Number*	*Country*	*Number*
Argentina	128	Malawi	17
Austria	30	Malaysia	33
Bangladesh	92	Mauritius	0
Belgium	0	Nepal	43
Brazil	3	Nigeria	45
Bulgaria	63	Norway	20
Cameroon	11	Pakistan	155
China	12	Philippines	70
Czech Republic	10	Poland	124
Denmark	20	Portugal	11
Egypt	41	Romania	185
Fiji	33	Russian Federation	101
Finland	11	Senegal	14
France	77	Slovenia	14
Germany	263	Spain	12
Ghana	55	Sweden	30
Greece	20	Switzerland	7
Hungary	4	Tunisia	5
India	331	Turkey	167
Italy	42	United Kingdom of Great Britain and Northern Ireland	102
Jordan	410	United States of America	404
Kenya	28	Ukraine	191
Kyrgyzstan	4	Zambia	25
Lithuania	8	Zimbabwe	53
Total			**3 524**

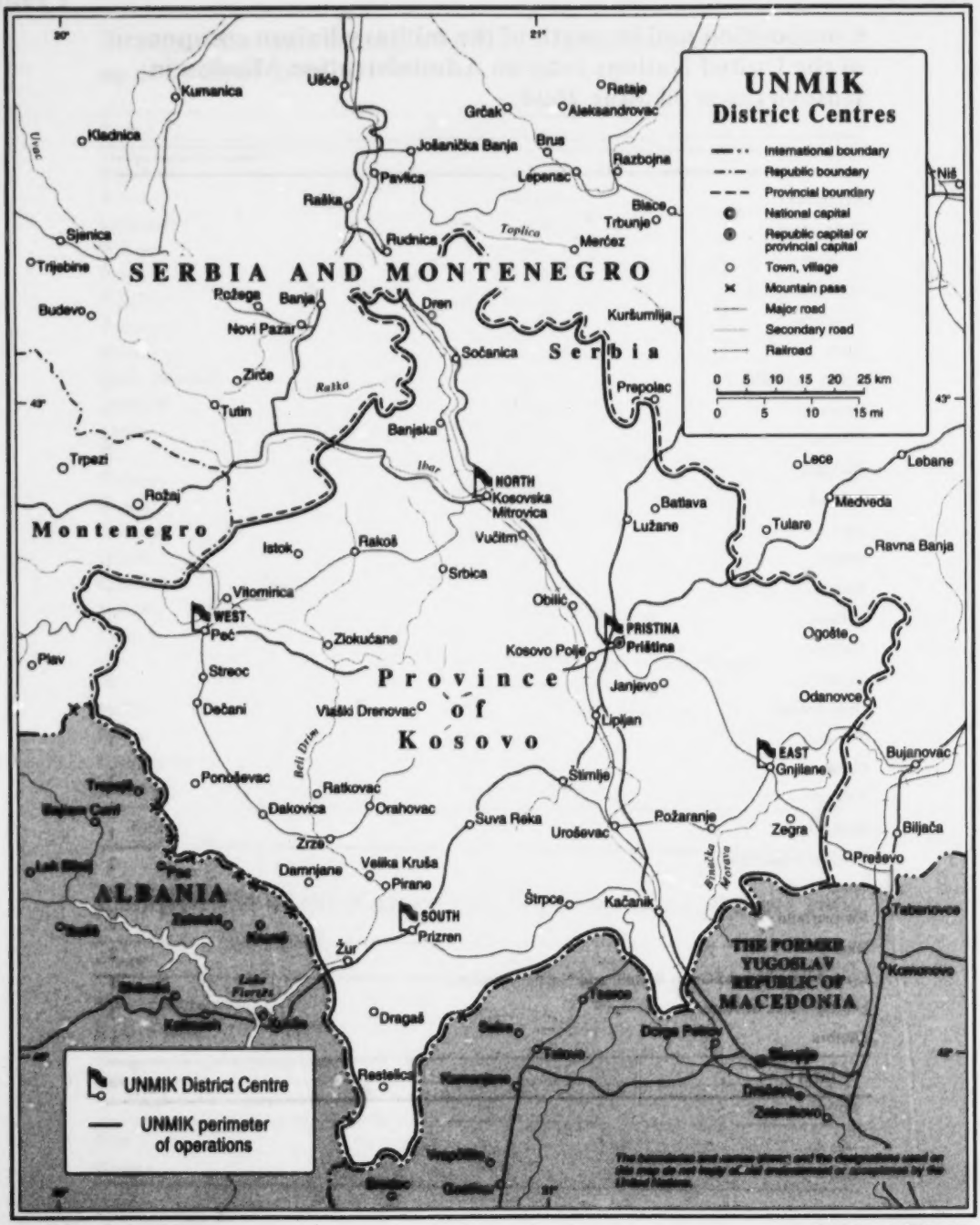
Composition of the Kosovo Police Service as at 30 June 2004

Category	*Percentage*	*Number*
Kosovo Albanians	84.5	5 054
Kosovo Serbs	9.5	567
Other ethnic minority members	6.0	362
Total		**5 983**
Men	85.2	5 100
Women	14.8	883

Annex II

Composition and strength of the military liaison component of the United Nations Interim Administration Mission in Kosovo (as at 30 June 2004)

Country	*Number of liaison officers*
Argentina	1
Bangladesh	1
Belgium	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	3
Italy	1
Jordan	1
Kenya	1
Malawi	1
Malaysia	1
Nepal	2
New Zealand	1
Norway	1
Pakistan	1
Poland	1
Romania	1
Russian Federation	2
Spain	2
Switzerland	0
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
United States of America	2
Zambia	1
Total	**36**



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